

NKANDLA MUNICIPALITY



DRAFT BUDGET 2017/18 TO 2019/20

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Abbreviations and Acronyms

CFO	Chief Financial Officer
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GDP	Gross domestic product
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
IDP	Integrated Development Strategy
IT	Information
kℓ	kilolitre
km	kilometre
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
PPE	Property Plant and Equipment
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

PART 1 – DRAFT ANNUAL BUDGET

1. MAYOR’S REPORT

**SPEECH BY THE MAYOR OF NKANDLA MUNICIPALITY CLLR THAMSANQA NTULI
DURING THE OCCASION OF THE TABLING OF THE MUNICIPAL DRAFT BUDGET FOR
2017/18 AT THE NKANDLA MUNICIPALITY COUNCIL
28 MARCH 2017**

Honourable Speaker

Honourable Deputy Mayor Cllr NFJ NZUZA

Honourable Members of the Executive Council

Honourable Members of the Municipal Council

Members of the Mayoral Committees for Finance

Amakhosi Asendlunkulu

Municipal Manager

All Heads of Departments and all managers

Chairpersons of Public Accounts committee

Chairperson of Audit committee

The People of Nkandla

I am greatly honoured to table before this respectable House the draft 2017/2018 budget Appropriation of the first term of the IFP led Local Municipality. This Appropriation seeks to reaffirm the party’s commitment to confront structural fault-lines of the economy as an integral part of the radical second phase of our transition from apartheid to a national democratic society.

Notwithstanding the fact that today is better than yesterday, it remains our considered submission that the progress made in eradicating the legacy of more than 340 years of socio-economic oppression must continue to set the tone and context of our budget processes. Our 2017/2018 draft budget decisions must therefore be guided by an urgent need to stimulate inclusive growth which is the nexus of equitable redistribution of economic assets and job creation.

Honourable Speaker, this Appropriation also seeks to consolidate and advance “*the IFP SETHEMBE CAMPAIGN*” as underlined by the following imperatives amongst others:

Enhancement of revenue generation to strengthen the Municipal fiscal and financial position underpinned by inclusive economic growth. The logic is simple, if the country remains in a low growth trap, there will not be adequate resources to meet the electoral mandate and legitimate expectations of our people;

A need to institutionalise long term planning, integration and coordination capacity within local government administrations to modernise and re-industrialise the Local economy; and Elimination of corruption and promotion of good governance and fiscal discipline;

The continued implementation of the approved municipal five year plan (IDP) should help to address binding constraints of our local economy guided by the ten (10) Point Plan, which directs, amongst others, that we must:

- Revitalise Agricultural Infrastructure, production and agro industries;
- Fast track the implementation of the Industrial Action Policy Plan;
- Encourage investment and access to credit in the production sectors of the economy, and
- Unlock small business potential, with specific focus on youth and women-owned enterprises.

Honourable Speaker, implementation of the Youth target set-asides can no longer be deferred to a later date. Now is the time for action. Sixty (60) per cent of jobs on new infrastructure projects must be set aside for young people. On Trade and Investment, we must continuously assess our resource deployment options with regards to inbound and outbound missions to protect the municipal interest and to fight poverty, unemployment and inequality through a responsive positive trade account.

ECONOMIC AND FISCAL ENVIRONMENT

Economic performance

Honourable Speaker, we live in a highly unequal and yet inter-connected world, where global economic development impacts on developing countries such as ours (South Africa). The economic data indicates that global growth has slowed to 3.1% in 2016 and raised to 3.4% in 2017. In the same way, the growth rate in Africa is expected to decrease to 1.4% in 2017/18. There are also signs of distress in other large emerging markets caused by falling commodity prices, amongst other factors. The reality is that our transition to a just society is impacted by global developments such as (but not limited to) the *Brexit* in Europe and low growth in China. Our economy is projected to perform at a rate of 0.3% this year which is in line with the national growth rate prospects. In this context, Martin Luther King Jnr. reminds us that, and I quote:

“Our survival depends on our ability to stay awake, to adjust to new ideas, to remain vigilant and to face the challenge of change”.

Honourable Speaker

We have made progress in implementing the budget priorities outlined in the Appropriation speech of June 2016. I will briefly comment on some of the developments.

Impact of expenditure

To better understand the socio-economic influence of our budget, we have analysed the impact of our Municipal expenditure.

We are indeed making an economic impact with our expenditure. However, the socio-economic benefit of our public expenditure will be greatly boosted if Provincial government can inject more funds to our municipality and Public Entities purchase and invest on infrastructure development within the Municipality, and ensure that developmental projects have linkages with several industries and sectors of our economy.

A lot has been achieved by our Municipality in the current and previous financial year. This is perhaps best mirrored by visible infrastructure that has been developed around Nkandla town and around in 14 wards. The Municipality has changed lives of people by social cohesion, providing support to youth in education, providing skills development and upliftment of both cooperatives and small businesses (SMMES).

The Municipality has invest significant resources for delivery of range of services to the communities. The Municipal finance management act requires the Municipality to use resources effective and efficiently by implementing sound financial management and provide service in line with best value principle to meet the needs of the communities. The municipality has full functional Audit committee, internal Audit unit and management that has led the municipality to achieve unqualified audit opinion.

As a Municipality with the total population of 114416 and unemployment rate of 89% and 99% of those employed earn less than R1 600 a month in accordance with the Census 2011. This indicates that most of the community is indigent which attest to relatively minimal rates base and a huge strain on the Municipality's resources.

We have however taken advantage of the Government Progress to accelerate job creation, as a result 120 people have been able to get jobs through the Expanded Public Works and Community Works Programs, and this is a minimal way in which the municipality contributes to Job Creation as well as Human & Community Development as a Goal of the PDGS.

With regard to infrastructure development the municipality has expended R46.2 million for construction of a number of capital projects such as CSC's, access roads. 3577 houses holds were electrified at a value of R 34 million, this include the Masolosolo Project, Entshiza project, Dolwane project, Ezijibeni project, Nhloshane, Thaleni/Vimbimbobo, Vumanhlamvu and Mandaba electrification project.

The municipality is also planning in 2017/18 to electrify 1441 in 2018/19, 1400 households and 2019/20, 736 will be electrified. Beneficiaries who receive the free electricity as a basic service has increased from 800 to 1235, electricity faults and outages has improved through upgrade of electricity infrastructure.

However, according to 2017 Division of Revenue Bill the municipality has not been allocated Integrated National Electrification Programme Grant (INEP) for the 2017/18 financial year.

Land is our main resource, our key focus was to identify key land pockets and prospective catalytic projects to attract investors into the Municipality .and the land for Shopping Centre as well as an industrial park as means to create a revenue based collection and improve the local economy has been reserved and developed with a number of shops.

BUDGET POLICY STATEMENT

Honourable Speaker

There will be a reduction to the expenditure ceiling of **R10 billion** in 2017/18 and **R16 billion** in the 2018/19 financial years nationally, as highlighted by the Minister of Finance. We must therefore share the burden of this extraordinary challenge to ease the pressure on future generations while ensuring the continuity of our programmes to improve the socio-economic conditions of the poor. However, there is a need to institute some budget efficiencies.

BUDGET REPRIORITISATION AND FISCAL CONSOLIDATION

In our mid-year budget we presented a recovery Action Plan to address the expenditure management and service delivery improvements which includes the following:

- **Cost containment of administrative personnel expenditure while protecting without compromising service delivery.**

- a) his include Substance and traveling allowance claims
- b) Overtime claims
- c) The municipality will also introduce the moratorium in 2017/2018
- d) Accommodation, and
- e) Use of consultants

- **Improving revenue collection;**

The Municipal Revenue is comprised of three components, that is, equitable share; conditional grants and own revenue. We have also taken over the licensing function from department of transport to issue drivers licence and car registering authority. As part of the review of the Revenue Enhancement Policy, we will explore the possibilities of investment and retention strategy.

- Rationalisation and closure of redundant programmes
- Intensification of cost containment measures.

These are difficult but necessary decisions to help the municipality in particular to overcome the current economic challenges.

2017/2018 MUNICIPAL BUDGET

Fiscal framework

I will now comment on some of the details of the 2017/18 Municipal budget Appropriation Bill.

The 2017/18 Municipal Fiscal Framework of the total Budget is R156.6 million and the estimated cost of social package amounts to R2 million for the 2017/18 budget year. Details of initiatives carried out by Nkandla Council in this regard are detailed as below:

- All residential property owners are exempted from paying rates on the first R15 000 of the property value.
- All rates levied on properties of the municipal value is less than R80 000, indigent residents will receive 100 percent rebates on rates.
- The first 50kwh of electricity is free to all residents qualified as indigents in terms of the indigent's policy.
- Refuse removal will be now free to all residents qualifying as indigents in terms of the council policy.

OTHER PROJECTS FUNDED BY THE MUNICIPALITY

• Local Economic Development	R 6 200 000
• Youth Development	R 1 148 000
• Early Childhood Development	R 1 319 000
• Sports & Recreation	R 2 428 000
• Disaster Management	R 1 237 000
• HIV/AIDS	R 603 000
• Disability	R 273 000
• Senior Citizens	R 279 000
• Communication	R 2 280 000
• Gender Empowerment	R 652 000
• Mayoral Cup	R 1 215 000
Total	R 17 634 000

The municipality has made a provision of approximately R500 000 for the Modular Library at Kwa Chwezi which is co-funded by Department of Art and Culture. This will create job opportunities for Nkandla youth and the community at large. Nkandla has arable land as well as conducive and good weather for agriculture. That is the main reason that we set aside an amount of R 6 200 000 for the local economic development.

Support to Cooperative development, fencing of land for farming and grazing as well other viable business activities in our communities will be implemented. I say this being fully aware that our communities do not trade in livestock but fencing of grazing land will go a long way in ensuring that farming activities are not interrupted by livestock.

Honourable Speaker we are in business of service delivery, meaning that we need to ensure that our communities have access to uninterrupted services at all times.

We have allocated R23 295 000.00 to the provision of new infrastructure mostly in areas of Amakhosi, i.e. outside the town. Some of these projects are already the implementation stage and we commit to finalize them on time. These include:

• Nhloshane CSC	R3 500.000.00
• Vumanhlamvu	R3 500 000.00
• AmaZondi CSC	R3 500 000.00
• Ngwegweni Access Road	R4 500 000.00
• Nkethabaweli link Road	R2 295 000.00
• Ekukhanyeni Sports Field	R1 500 000.00
• Ophindweni Sports Field	R1 500 000.00
• Ndweni Sports Field	R1 500 000.00
• Ntingwe Sport Field	R1 500 000.00
Total	R23 295 000.00

Honourable Speaker in support of our vision on improving the quality of life for Nkandla Citizen I present the budget break down as follows:

Operational Grants:	R 125.6 million
Capital Grants:	R 30.9 million

The total budget for 2017/18 is R156.6 million which includes Capital and Operational Expenditure. It is indisputable that one cannot be satisfied with the number of projects presented looking at what is expected from the municipality to deliver, the number of projects is largely based on the sources of income and the revenue is still a concern that we are working on.

FINANCIAL GOVERNANCE

Irregular; fruitless and wasteful as well as unauthorised expenditure

Honourable Speaker,

Allocated budgets should be used prudently and accounted for in line with all legislative prescripts.

Therefore, necessary steps to address the cases of irregular, fruitless and wasteful as well as unauthorised expenditure must be taken and reports submitted Executive Committee and Council on quarterly basis.

We will monitor the implementation of this decision which is aimed at improving financial accountability

CONCLUSION

Honourable Speaker, the proposed budget lays a fiscal foundation on which the municipality should build on the progress made since the beginning of this council.

It is possible that the appropriated funds, when utilized effectively, will expand opportunities for the achievement of our delivery mandate for the year ending 30 June 2018.

This proposal demonstrates our determination to ensure that budgets are allocated and spent prudently and in the right areas.

As I conclude, allow me to borrow a passage from Karl Marx who said, and I quote:

“If we have chosen the position in life in which we can most of all work for mankind, no burdens can bow us down, because they are sacrifices for the benefit of all; then we shall experience no petty, limited, selfish joy, but our happiness will belong to millions”.

We chose to make this budget so that the burden of the day is not passed onto the next generations. We had to make unpopular choices, cutting the frills in the administration because our happiness belongs to over a million people who are still trapped in dishonourable poverty.

We must intensify the dialogue to seek common solutions and concrete actions to our low economic growth and high poverty.

I would like to extend my warm appreciation to Inkatha Freedom Party for entrusting me with the responsibility to prepare and table this Appropriation for our Municipality.

Honourable Deputy Mayor, Mrs NFJ Nzuza and Speaker Cllr S.O Sibiya thank you for your dedication to the people of Nkandla which we continue to experience through your guidance and advice on matters of governance and leadership.

To staff of Budget and treasury and also Finance portfolio Committee and Executive Committee, thank you very much for your support throughout the process of preparing this draft budget.

Many thanks to all Honourable Members of the Portfolio Committees.

Honourable Speaker, I now have the honour to table:

Nkandla draft Appropriation Bill for 2017/18;

Nkandla draft Estimates of municipal Revenue and Expenditure for 2017/18, and

Municipal draft Budget Speech for 2017/18 that we prepared to communicate the decisions of the Council for your kind consideration.

I Thank You.

2. DRAFT BUDGET RESOLUTIONS

- (a) That in terms of the Section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of the municipality for the financial year 2017/18; and indicative allocations for the two projected outer years 2018/19 and 2019/20; and the multi-year and single year capital appropriations as sets out in the following tables:-
- The annual budget of the municipality for the financial year 2017/18 and the multi-year and single-year capital appropriations as set out in the following tables:
 - Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A4
 - Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3
 - Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A2
 - Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5
- (b) The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
- Budgeted Financial Position as contained in Table A6;
 - Budgeted Cash Flows as contained in Table A7;
 - Cash backed reserves and accumulated surplus reconciliation as contained in Table A8;
 - Asset management as contained in Table A9; and
 - Basic service delivery measurement as contained in Table A10.
- (c) That the revenue source that will be utilised to fund both operating and capital budgets be approved and adopted.
- (d) That in terms of the Section 24(2)(c)(i) of the Municipal Finance Management Act, 56 of 2003, and Sections 74 and 75A of the Local Government Municipal Systems Act, 32 of 2000 as amended, the tariffs for the electricity, waste services and property rates as set out in Annexure C be approved and adopted with effect from 1 July 2017:
- (e) That it be noted that Rates, Refuse and other tariffs will be increased by 6.4 percent.
- (f) That it be noted that the electricity tariffs have been provisionally increased by 1.88% (and levied from 01 August 2017) pending NERSA approval. NERSA guideline is 0.31 percent.
- (g) That in terms of the Indigent Policy, the monthly household earnings of an indigent application be capped at R2 600.

- (h) To give proper effect to the municipality's annual budget, the Council approves the following policies and bylaws:
- That the draft Customer Care, Credit Control and Debt Collection Policy be noted and approved.
 - That the draft Supply Chain management Policy be noted and approved.
 - That the draft Rates Policy be noted and approved.
 - That the draft Tariff Policy be noted and approved.
 - That the draft Debt Write-off Policy be noted and approved.
 - That the draft Electricity Distribution Policy be noted and approved.
 - That the draft Electricity Supply Policy be noted and approved.
 - That the draft Cash Management and Investment Policy be noted and approved.
 - That the draft Virement Policy be noted and approved.
 - That the draft Funding and Reserve Policy be noted and approved.
 - That the draft Petty Cash Policy be noted and approved.
 - That the draft Indigent Support Policy be noted and approved
 - That the draft Budget Policy be noted and approved
 - That the draft Fixed Asset Management Policy be noted and approved.
 - That the draft Fixed Asset Maintenance Policy be noted and approved.
 - That the draft Creditors Payment and Employee Remuneration Policy be noted and approved.
 - That the Property Rates Bylaw be noted and approved.
 - That the electricity Bylaw be noted and approved.

3. EXECUTIVE SUMMARY

OVERVIEW OF THE MUNICIPALITY

Nkandla Municipality is located approximately 55 kilometres south west of Mthonjaneni Local Municipality, 60 kilometres from uMlalazi Local Municipality and approximately 50 kilometres from Isandlwane battle fields. It is situated 150 kilometres from Umhlathuze Local Municipality and 250 kilometres from Ethekwini Metropolitan Municipality. Nkandla LM is richly bestowed with natural indigenous forests, sufficient land for different agricultural crops and various famous high qualities Ntingwe Tea which is traded all over the world. The tea is affectionately called Zulu tea abroad. Nkandla LM is pictures recue with rolling lush green hills intercepted by meandering rivers. The natural landscape is breath-taking and remains largely undeveloped which contributes to the beauty and breath-taking view vistas. The place is rich with culture which has been preserved for years.

Nkandla is also the place where some of the first signs of Black resistance against the apartheid system emerged. King Shaka led a great war against people of Zwide in the efforts of coining the Zulu nation during the Mfecane era. One of the nation's greatest Kings, King Cetshwayo was laid to rest within the spread of the untouched natural forest in Nkandla. The people of the world need to know that Nkandla is a place which is extremely tranquil where one can feel at one with nature, where one can turn back the hand of time and reflect on the past and get the sense of what being a true African means. Moving from a rich history to the establishment of a democratic elected government, National, Provincial and Local Municipalities.

The following are the statistics for Nkandla drawn from 2016/17 IDP.

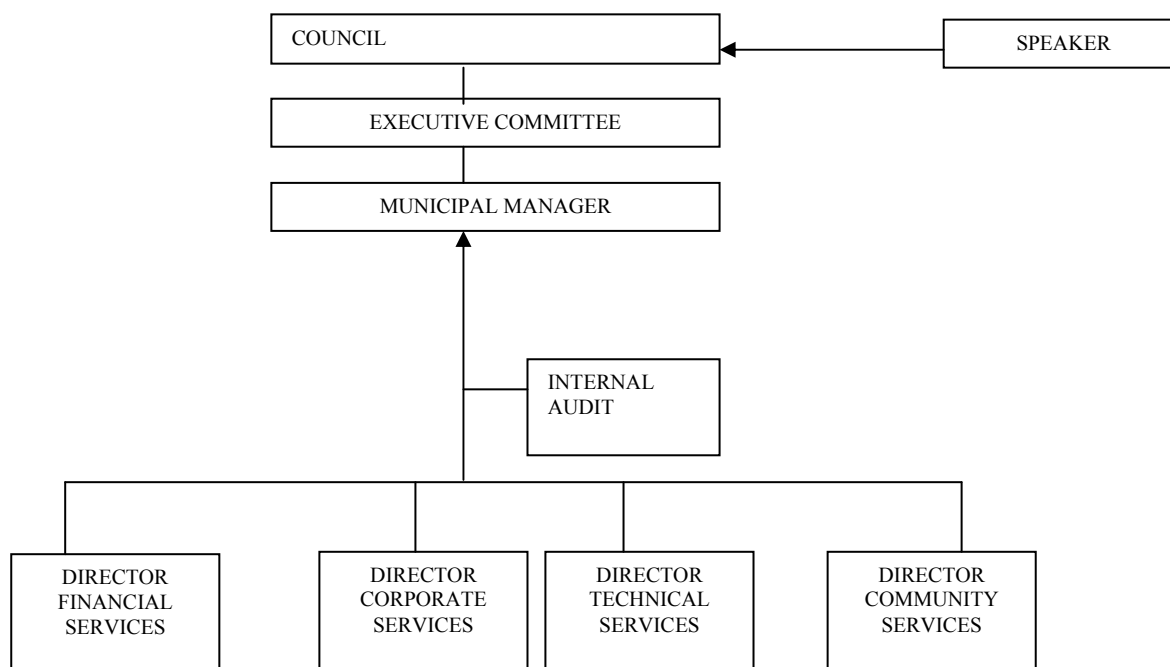
Economic activities	%
Subsistence Agriculture	16
Informal Sector	13
Local Wages	0.5
Migrant Remittances	20
Government Grants	50
No income	42.1

Institutional Arrangements

The Nkandla Municipality Organogram (illustrated below), and as approved by Council, makes provision for a Municipal Manager and four Departments each headed by a Director. The four Departments of the municipality are:

- Financial Services
- Corporate Services
- Technical Services
- Community and Economic Development Services

NKANDLA MUNICIPALITY: ORGANOGRAM



COUNCILLORS, EXECUTIVE COMMITTEE AND OFFICIALS

EXECUTIVE COMMITTEE

DESIGNATION	SURNAME & INITIALS	PORTFOLIO COUNCILLOR	POLITICAL PARTY	WARD
Mayor	AT Ntuli	Budget & Treasury	IFP	06
Deputy Mayor	NFJ Nzuza	Community Services	IFP	06
Speaker	SO Sibiya	Council	IFP	06
Executive Committee Member	BB Dlomo	Technical & Corporate Services	IFP	03
Executive Committee Member	NR Xulu		ANC	11
Executive Committee Member	BZ Mncadi-Mpanza		ANC	11

COUNCIL

DESIGNATION	SURNAME & INITIALS	POLITICAL PARTY	WARD
Councillor	Mncube TP	IFP	01
Councillor	Mahaye NP	IFP	01
Councillor	ZM Mbeje	IFP	02
Councillor	MBE Ntombela	ANC	03
Councillor	Nxumalo TF	IFP	04
Councillor	Dlamini PR	ANC	05
Councillor	Mpungose DB	ANC	05
Councillor	Ntuli JB	ANC	06
Councillor	Magubane	ANC	06
Councillor	Mthombeni MN	IFP	07
Councillor	Mbuyisa TB	IFP	08
Councillor	Msimang LMB	IFP	09
Councillor	Ndimba BB	ANC	09
Councillor	Buthlezi PJ	IFP	10
Councillor	Magubane NPN	IFP	10
Councillor	Gasa NW	ANC	10
Councillor	Ntombela TB	IFP	11
Councillor	Zulu NP	ANC	11
Councillor	Sikhakhane AS	IFP	12
Councillor	Lushozi VS	ANC	13
Councillor	Mbambo BS	ANC	14

SENIOR OFFICIALS

DESIGNATION	INITIALS & SURNAME
Municipal Manager	Mr. LS Jili
Director: Financial Services	Mr. S Ntombela
Director: Corporate Services	Ms. N Xulu
Director: Technical Services	Mr. N Mnyandu
Director: Community Services	Vacant

4. LEGISLATION COMPLIANCE STATUS

In terms of Section 16 (1) of the MFMA the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. (2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. (3) Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

- The budget process.
- Supply Chain Management.
- Financial in-year reporting.
- Adjustment budgeting
- Annual reporting.
- Compilation and implementation of various policies.
- Compilation of procedural notes for main financial accounting processes.
- The budget and Treasury office has been established in accordance with the requirements
- Service Delivery and Budget Implementation plans are applied as monitoring tools
- Audit Committee has been established

Compliance with MFMA Circular No. 86

The budget circular is compiled annually to guide municipalities on how to prepare their budget inputs. This circular is a follow-up to the MFMA Budget Circular No.85 that focused on the preparation of the 2017/18 Medium Term Revenue and Expenditure Framework (MTREF). This guidance includes national policy imperatives that should be accommodated and other relevant information. The circular provides a summary of South Africa's economic outlook, inflationary targets, financial management issues and specific reference on how to give effect to National Treasury's Municipal Budget and Reporting Regulations (MBRR).

The budget tables have prepared in terms of MFMA Circular No. 28, it is however brought to Council's attention that the budget is prepared to comply with the requirements of the Municipal Budget and Reporting Regulations (MBRR). It for this reason that Council is urged to acquaint itself with the format, since Council is expected to scrutinize and approved the budget prepared only in terms of Gazette 32141.

Legislations

Nkandla Municipality has complied with a number of legislations amongst others-

- Municipal Finance Management Act (No. 56 of 2003)
- Municipal Budget and Reporting Regulations (Government Gazette 32141)
- Annual Division of Revenue Act
- Municipal Structures Act (No. 117 of 1998), as amended
- Municipal Systems Act (No. 32 of 2000), as amended
- Municipal Property Rates Act (No. 6 of 2004), as amended
- Municipal Fiscal Powers and Functions Act (No. 12 of 2007)

Other National Treasury Circulars

- MFMA Circular No. 55
- MFMA Circular No. 71
- MFMA Circular No. 80
- MFMA Circular No. 82
- MFMA Circular No. 85
- MFMA Circular No. 86
- Budget Formats Guidelines

KZN Provincial Circular

- Provincial Treasury Circular No. PT/MF 06 of 2016/17 dated 24 February 2017.

5. ADOPTED MEDIUM TERM BUDGET 2017/18 TO 2018/19

INTRODUCTION

The purpose of the 2017/18 medium-term budget is to comply with the Municipal Finance Management Act (No.56 of 2003) and is a financial plan to enable the municipality to achieve its vision and mission through the IDP which informs the Nkandla Municipality's five-year programme and community/stakeholder inputs.

The MFMA Circular No.86 states that *to facilitate oversight of compliance with the Municipal Budget and Reporting Regulations, accounting officers are reminded that:*

- *Section 22(b)(i) of the MFMA requires that, immediately after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in both printed and electronic formats. If the annual budget is tabled to council on 31 March 2017, the final date of submission of the electronic budget documents and corresponding electronic returns is Monday, 03 April 2017. This includes the submission of the mSCOA data string. The deadline for submission of hard copies including council resolution is Friday, 7 April 2017.*
- *Section 24(3) of the MFMA, read together with regulation 20(1), requires that the approved annual budget must be submitted to both National Treasury and the relevant provincial treasury within ten working days after the council has approved the annual budget. If the council only approves the annual budget on 30 June 2017, the final date for such a submission is Friday, 14 July 2017, otherwise an earlier date applies.*

The tabling of the 2017/18 budget is a statement of commitment to the people of Nkandla, proposing a total budget of R156.4 million, comprising R28.4 million for capital and R125.6 million operating budget. The 2017 to 2020 multi-term budget posed many challenges and obstacles which had to be addressed and accommodated by the limited financial and other resources.

The budget has been prepared in terms of the Municipal Budget and Reporting Regulations (MBRR). The tabling of draft budget is as a journey towards consultation processes with communities throughout the municipal area and all other relevant stakeholders, which took place during February 2017. Comments and inputs from various stakeholders has been considered during the consultation process after which the draft budget is presented by His Worship, Mayor Cllr AT Ntuli before the municipal council.

OPERATING BUDGET

Tariff of Charges

The following are proposed tariff increases and other allocations as indicated below:

Assessment Rates	6.4%
Electricity	1.88%
Refuse Removal	6.4%

Revenue from property rates is proposed to increase by only 6.4% from the 2016/17 adjusted budget of R17.9 million. The rates revenue is projected at R18.3 million in the 2017/18 financial year.

Category of Property (Description)	Randage	Amount
Agriculture	0.0029	R 165.14
Business and commercial properties	0.0346	R 2 853 715
Place of Worship	0.0201 (100% exempted)	R 0
Protected Areas	0.0030 (100 % exempted)	R 0
Public Benefit Organisation	0.0000	R 0
Public Service Infrastructure	0.0000	R 0
Residential	0.0119	R 905 504
Specialized Property	0.0000	R 0
State Owned Property	0.0369 (Phase in exemption applies)	R 16 335 151
State Trust Land	0.0029	R 340 873
Vacant Land	0.0029	R 225 307
Multiple Use Property	Dominant use ratio will apply	R 193 648

Electricity tariffs are expected to boost the operating revenue by R16.3 million, an increase of R763 000 from R15.4 million in the 2016/17 adjusted budget. The municipality awaits approval from NERSA for electricity tariff increases.

Waste management is budgeted to generate R1.7 million in the 2017/18 financial year. The budgeted Waste management revenue has increased by R1.1 million (65.5 percent) from R596 000 in 2016/17.

Total grant allocations to fund operating budget are expected to be R87.5 million, being the equitable share, the Finance Management Grant (FMG) and various provincial allocations.

The equitable share allocation to be received from National Government has increased by R3.2 million from R79.2 million to R82.4 million.

Revenue from investments interest is projected at R1.9 million, an increase of R70 000 from the adjusted budget of R1.8 million in the 2016/17 financial year.

The total budgeted revenue for the 2017/18 financial year is estimated at R130.9million.

ALIGNMENT WITH NATIONAL AND PROVINCIAL PRIORITIES

The Nkandla Municipality's IDP and medium-term budget aligns with national and provincial initiatives to ensure optimal impact from combined effort of government. The Municipality is confident that this budget is structured to give effect to the strategic priorities and support long-term sustained growth and development in line with National and Provincial objectives.

The following priorities are part of National Government's framework to enhance the social, cultural and economic welfare of all South Africans.

- Expanding investment in the built environment and increasing access to basic services
- Enhancing skills and quality of education
- Reducing levels of crime and enhancing citizen safety
- Improving the provision of healthcare and broadening programmes
- Sustaining employment growth through increased public investment spending

The 2017/18 medium term budget seeks to address a number of these priorities by, amongst others, wider provision of municipal services, free basic services for indigents, initiatives to encourage capital spending to provide a vast public infrastructure.

it is proposed that municipalities disclose audited and the current years' (2016/17) information using version 2.8 of the A schedule. In relation to the 2017/18 MTREF municipalities must use version 6.1 of the A schedule. By implication two separate schedules must be submitted.

6. BUDGET TABLES AND RELATED CHARTS

MFMA Circular No. 86 requires that municipalities disclose audited and the current years' (2016/17) information using version 2.8 of the A schedule. In relation to the 2017/18 MTREF municipalities must use version 6.1 of the A schedule. Therefore, the budget tables below only reflects the 2017/18 MTREF.

KZN286 Nkandla - Table A1 Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousands										
Financial Performance										
Property rates	-	-	-	-	-	-	-	18 338	19 420	20 546
Service charges	-	-	-	-	-	-	-	17 667	17 827	18 827
Investment revenue	-	-	-	-	-	-	-	2 400	2 600	2 800
Transfers recognised - operational	-	-	-	-	-	-	-	88 846	90 430	93 161
Other own revenue	-	-	-	-	-	-	-	3 632	3 269	3 449
Total Revenue (excluding capital transfers and contributions)	-	-	-	-	-	-	-	130 883	133 547	138 783
Employee costs	-	-	-	-	-	-	-	43 841	46 709	47 406
Remuneration of councillors	-	-	-	-	-	-	-	9 071	9 588	10 125
Depreciation & asset impairment	-	-	-	-	-	-	-	6 500	6 871	7 255
Finance charges	-	-	-	-	-	-	-	-	-	-
Materials and bulk purchases	-	-	-	-	-	-	-	18 963	19 742	19 792
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	-	-	-	-	-	-	-	47 265	45 725	48 131
Total Expenditure	-	-	-	-	-	-	-	125 640	128 635	132 709
Surplus/(Deficit)	-	-	-	-	-	-	-	5 243	4 912	6 074
Transfers and subsidies - capital (monetary alloc	-	-	-	-	-	-	-	23 170	24 296	25 485
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	-	-	-	-	-	-	-	28 413	29 208	31 559
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	-	-	-	-	-	-	-	28 413	29 208	31 559
Capital expenditure & funds sources										
Capital expenditure	-	-	-	-	-	-	-	30 893	27 652	28 918
Transfers recognised - capital	-	-	-	-	-	-	-	23 170	24 296	25 485
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	4 557	-	-
Internally generated funds	-	-	-	-	-	-	-	3 166	3 356	3 433
Total sources of capital funds	-	-	-	-	-	-	-	30 893	27 652	28 918
Financial position										
Total current assets	-	-	-	-	-	-	-	27 428	29 573	27 882
Total non current assets	-	-	-	-	-	-	-	359 369	379 501	379 985
Total current liabilities	-	-	-	-	-	-	-	20 426	18 403	18 304
Total non current liabilities	-	-	-	-	-	-	-	7 058	7 560	8 350
Community wealth/Equity	-	-	-	-	-	-	-	359 313	383 111	381 213
Cash flows										
Net cash from (used) operating	-	-	-	-	-	-	-	33 156	30 667	31 070
Net cash from (used) investing	-	-	-	-	-	-	-	(30 893)	(27 652)	(28 918)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	-	-	-	-	-	-	-	10 981	13 997	16 149
Cash backing/surplus reconciliation										
Cash and investments available	-	-	-	-	-	-	-	4 951	5 233	5 526
Application of cash and investments	-	-	-	-	-	-	-	(1 286)	(2 743)	(1 221)
Balance - surplus (shortfall)	-	-	-	-	-	-	-	6 237	7 976	6 747
Asset management										
Asset register summary (WDV)	-	-	-	-	-	-	28 109	28 109	27 108	28 454
Depreciation	-	-	-	-	-	-	-	-	-	-
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-	4 963	4 963	5 246	5 540
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	4 516	4 516	4 778	5 053
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sew erage:	-	-	-	-	-	-	-	-	-	-
Energy :	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Operating Revenue Framework

KZN286 Nkandla - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1										
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	18 338	19 420	20 546
Service charges - electricity revenue	2	-	-	-	-	-	-	-	16 318	16 188	17 096
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	-	-	-	-	-	-	-	1 349	1 639	1 731
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	-	-	-	-	720	816	860
Interest earned - external investments		-	-	-	-	-	-	-	2 400	2 600	2 800
Interest earned - outstanding debtors		-	-	-	-	-	-	-	1 950	1 660	1 750
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	331	349	368
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		-	-	-	-	-	-	-	88 846	90 430	93 161
Other revenue	2	-	-	-	-	-	-	-	631	444	471
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		-	-	-	-	-	-	-	130 883	133 547	138 783
Expenditure By Type											
Employee related costs	2	-	-	-	-	-	-	-	43 841	46 709	47 406
Remuneration of councillors		-	-	-	-	-	-	-	9 071	9 588	10 125
Debt impairment	3	-	-	-	-	-	-	-	1 500	1 700	1 900
Depreciation & asset impairment	2	-	-	-	-	-	-	-	6 500	6 871	7 255
Finance charges		-	-	-	-	-	-	-	-	-	-
Bulk purchases	2	-	-	-	-	-	-	-	14 000	14 496	14 252
Other materials	8	-	-	-	-	-	-	-	4 963	5 246	5 540
Contracted services		-	-	-	-	-	-	-	21 509	18 756	21 001
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	-	-	-	-	-	-	-	24 257	25 270	25 230
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		-	-	-	-	-	-	-	125 640	128 635	132 709
Surplus/(Deficit)		-	-	-	-	-	-	-	5 243	4 912	6 074
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		-	-	-	-	-	-	-	23 170	24 296	25 485
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		-	-	-	-	-	-	-	28 413	29 208	31 559
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		-	-	-	-	-	-	-	28 413	29 208	31 559
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		-	-	-	-	-	-	-	28 413	29 208	31 559
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		-	-	-	-	-	-	-	28 413	29 208	31 559

Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R65 000 reduction on the market value of a property will be granted in terms of the Rates Policy and 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy.

Property rates revenue have been budgeted to increase by R408 000 (2.3 percent) from R17.9 million in 2016/17 to R18.3 million in 2017/18. The Property rates tariff increase of 6.4 percent is in line with the guideline as per MFMA Circular no. 86.

Service charges - refuse

Service charges refuse revenue has been budgeted to increase by R1.1 million from R596 000 in 2016/17 to R1.7 million in 2017/18. This is reflective of the budgeted number of households increase as well as the increase in commercial activities in the town of Nkandla.

Interest earned on external investments

The municipality has budgeted R2.4 million for Interest earned on external investments in 2017/18 to be realized from call account deposits for conditional grants not yet utilized.

Licenses and permits

License and permits revenue has been budgeted to increase by R275 000 in 2017/18 from R56 000 in 2016/17 to R331 000 in 2017/18. This is due to the completion of the Traffic Department which will be fully functional in the 2017/18 financial year.

Other income

The budgeted *Other income* revenue has decreased by R1.1 million in 2017/18 from R1.7 million in 2016/17 to R631 000 in 2017/18. This has been done to correct the revenue items which were incorrectly budgeted under *Other income* in 2016/17.

Operating Expenditure Framework

Employee related cost has increased by 7.4 percent (average CPI + 1 per cent). In terms of the Collective Agreement on Wages and Salaries signed by the Local Government National Bargaining Council, salaries increases for 2017/18 financial year is based on the average inflation rate (CPI) plus 1 percent. The consumer price index for the next financial year is projected to be 6.4 percent.

The municipality has budgeted to increase the expenditure for the Employee related costs by R5.5 million from R39.6 million in 2016/17 to R45.1 million in 2017/18. The municipality has budgeted for additional vacant position which were not budgeted for in 2016/17. Employee related costs and Councillors' remuneration as a percentage of total operating expenditure is 40 percent. The norm is 25 to 40 percent. The municipality is looking at its organogram to mitigate possible overstaffing and/or inefficiencies.

Expenditure of Councillors' Allowances is budgeted to increase from R8.1 million to R9.1 million in the 2017/18 financial year. The provision for the councillors' remuneration has been budgeted for from the basis of the published government notice number R40519 dated 21 December 2016.

Debt impairment has been budgeted at R2.5 million in 2017/18. *Debt impairment* as a percentage of billable revenue amounts to 6.9 percent in 2017/18.

Depreciation has been budgeted to increase by R3.1 million from R5.9 million in 2016/17 to R9 million in 2017/18 which is based on the asset register and the anticipated new capital acquisitions.

Bulk purchases have been budgeted to increase by R2 million from R12 million in 2016/17 to R14 million in 2017/18. This will be achieved by curbing electricity losses to a minimal as the municipality is currently replacing faulty metres.

The budgeted ***Contracted services*** expenditure has increased by R243 000 from R18.4 million in 2016/17 to R18.7 million in 2017/18.

Other expenditure has been budgeted to increase by R1.3 million from R31.8 million in 2016/17 to R33.1 million in 2017/18.

Table A5 Budgeted Capital Expenditure by vote, standard classification and funding sources.

KZN286 Nkandla - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description R thousand	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-	-
OFFICE OF THE MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
BUDGET AND TREASURY		-	-	-	-	-	-	-	-	-	-
CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
TECHNICAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-	-
OFFICE OF THE MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
BUDGET AND TREASURY		-	-	-	-	-	-	-	326	280	-
CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
COMMUNITY SERVICES		-	-	-	-	-	-	-	2 279	-	-
TECHNICAL SERVICES		-	-	-	-	-	-	-	28 289	23 085	24 250
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	-	-	-	-	30 893	23 365	24 250
Total Capital Expenditure - Vote		-	-	-	-	-	-	-	30 893	23 365	24 250
Capital Expenditure - Functional											
Governance and administration		-	-	-	-	-	-	-	326	344	364
Executive and council		-	-	-	-	-	-	-	-	-	-
Finance and administration		-	-	-	-	-	-	-	326	344	364
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		-	-	-	-	-	-	-	2 279	-	-
Community and social services		-	-	-	-	-	-	-	2 279	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		-	-	-	-	-	-	-	25 449	24 296	25 485
Planning and development		-	-	-	-	-	-	-	2 279	-	-
Road transport		-	-	-	-	-	-	-	23 170	24 296	25 485
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		-	-	-	-	-	-	-	2 840	3 012	3 069
Energy sources		-	-	-	-	-	-	-	2 660	2 812	2 969
Water management		-	-	-	-	-	-	-	180	200	100
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	-	-	-	-	-	-	-	30 893	27 652	28 918
Funded by:											
National Government		-	-	-	-	-	-	-	23 170	24 296	25 485
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	-	-	-	-	-	-	-	23 170	24 296	25 485
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	4 557	-	-
Internally generated funds		-	-	-	-	-	-	-	3 166	3 356	3 433
Total Capital Funding	7	-	-	-	-	-	-	-	30 893	27 652	28 918

The municipality has budgeted R23.1 million for road and infrastructure in 2017/18. The total capital budget of R30.8 million.

7. OVERVIEW OF BUDGET PROCESS

Political Oversight of Budget Process

The concept of political oversight over the budget process is an important one and it is the key to ensuring that strategy informs budget.

The political oversight role of the Mayor is contained in Section 53 (1)(a) and (b) of the Municipal Finance Management Act (MFMA). It requires that the Mayor must provide political guidance over the budget process and the priorities that guide the preparation of the budget. It further requires that the Mayor co-ordinate the revision of the IDP and the preparation of the annual budget and to determine how the IDP is to be taken into account for the purpose of the budget.

The demands on the Municipality to address service delivery backlogs and to improve service delivery to all of its citizens, within current financial resources, are challenging. Political oversight of the budget process is therefore essential to ensure that the priorities of the municipality are addressed through budget allocations.

Schedule of Key Deadlines Relating of Budget Process

One of the objectives of the budget timetable is to ensure the development of IDP and the budget and also to ensure that a funded budget is tabled for consideration and approval. The timetable schedule for the compilation of the 2017/18 budget cycle was approved by Council during August 2016 in compliance with the MFMA.

Process for Consultations with Stakeholder Groups and Outcomes [MFMA 21(1)(b)]

Section 22 of the MFMA requires that after tabling of the annual budget in Council, the municipality must make public the draft budget and also invite the local communities to submit representations thereon. Accordingly the tabling of this draft budget in the Council on 28 March 2017 will be followed by the following activities:

- The summarised draft budget and consultation meetings will be published in News Letter
- Draft budget will be submitted to Provincial and National Treasuries as well as Department of Provincial and Local Government
- The Draft budget will be presented to the IDP Representative Forum
- The Draft budget will be presented to the Ward Committees
- Public meetings will be held in various wards
- The Draft budget will be presented to the Business Community
- The Draft budgeted document will be generally distributed to libraries and other municipal offices to allow the wide invitation of comments and representations to the draft budget.

The public budget road show meetings will take place during April and May 2017. The schedule of budget road shows will be publicised in the local newspaper, website, and libraries as well as in the municipal notice boards.

8. OVERVIEW ALIGNEMENT OF IDP AND BUDGET WITH, MONITORING AND IMPLEMENTATION THROUGH SERVICE DELIVERY BUDGET IMPLEMENTATION PLANS

PURPOSE

This document presents an Integrated Development Plan (IDP) for Nkandla Local Municipality. The IDP is prepared in compliance with the requirements of Chapter 5, particularly Section 25 of Local Government Municipal Systems Act (32 of 2000), which obliges a municipal council to adopt a single, all inclusive and strategic plan for the development of the municipality, within a prescribed period after the start of its elected term. It outlines a development agenda for the municipality for the next five years.

OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to Nkandla, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that Nkandla strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Nkandla's response to these requirements.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The municipal development objectives are mainly orientated and aligned to National Key Performance Areas which are the following:-

- Institutional development and transformation
- Basic Service Delivery
- Good Governance and Public Participation
- Local Economic Development
- Financial Viability

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

- Provision of quality basic services and infrastructure which includes, amongst others:
- Provide electricity;
- Provide waste removal;
- Provide roads and storm water;
- Provide city planning services; and
- Maintaining the infrastructure of Nkandla.

Economic growth and development that leads to sustainable job creation by:

- Ensuring there is a clear structural plan for Nkandla;
- Ensuring planning processes function in accordance with set timeframes;
- Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.

3.1 Fight poverty and build clean, healthy, safe and sustainable communities:

- Effective implementation of the Indigent Policy;
- Working with the provincial department of health to provide primary health care services;
- Extending waste removal services and ensuring effective city cleansing;
- Ensuring all waste water treatment works are operating optimally;
- Working with strategic partners such as SAPS to address crime;
- Ensuring safe working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning; and
- Promote environmental sustainability by protecting wetlands and key open spaces.

3.2 Integrated Social Services for empowered and sustainable communities

- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- Optimising effective community participation in the ward committee system; and
- Implementing Batho Pele in the revenue management strategy.

5.1 Promote sound governance through:

- Publishing the outcomes of all tender processes on the municipal website

5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;
- In line with the MSA, the IDP constitutes a single, inclusive strategic plan for Nkandla. The five-year programme responds to the development challenges and opportunities faced by the Nkandla by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

IDP AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN.

The Nkandla's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2017/18 MTREF, based on the approved 2015/16 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/18 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2016/17 Departmental Service Delivery and Budget

Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

The 2017/18 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure

COMMUNITY CONSULTATION

The 2017/18 MTREF will be published on the municipality's website, and hard copies will be made available at customer care offices, municipal notice boards and various libraries for consultation.

All documents in the appropriate format (electronic and printed) are provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

9. MEASURABLE PERFORMANCE OBJECTIVES

Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, Nkandla municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

The performance of Nkandla municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The town therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

Free and Subsidised Basic Services

Municipalities play central role in supporting economic development and alleviating poverty. The provision of basic services is a critical input to social well-being and economic activity. Nkandla Municipality comprises of rural areas as well as wide spread of income groups. Due to variation in living environment, the municipal area has a number of households who currently do not have access to all services.

The basic social package is an affirmation of the Municipality's commitment to push back the frontiers of poverty by providing a social welfare to those residents who cannot afford to pay, because of adverse social and economic realities. The social package will also assist the Municipality in meeting its constitutional obligations.

The estimated cost of social package (income foregone through indigents) amounts to R2 million for the 2017/18 budget year. Details of initiatives carried out by Nkandla Council in this regard are detailed below:

Service	Social Package
Assessment Rates	All residential property owners are exempt from paying rates on the first R15 000 of the property value. All rates levied on properties of which the municipal value is less than R80 000. Indigent residents will receive 100 percent rebates on rates.
Electricity	The first 50kwh of electricity is free to all residents qualified as indigents in terms of the policy
Refuse	Refuse is free to all residents qualified as indigents in terms of the policy. Refuse removal services to a maximum of one removal per household per week.

Other Projects funded by the municipality

Project	Budgeted Amount (R)
Local Economic Development	6 200 000
Youth Development Program	1 148 000
Early Childhood Development	1 319 000
Sports & Recreation	2 428 000
HIV/AIDS	603 000
Disaster Management	1 237 000
Disability	273 000
Senior Citizens	279 000
Communication & Publications	2 280 000
Gender Empowerment & Development	652 000
Mayoral Cup	1 215 000
Total	17 634 000

10. OVERVIEW OF BUDGET RELATED POLICIES OVERVIEW AND AMENDMENTS

The Municipality's budget is guided and governed by relevant legislation and budget related policies. The main purpose of budget related policies is to guide the budget process and inform the projections of the medium-term budget.

The following budget related policies, which have been approved by Council or currently under review, are currently in force to ensure an informed smooth budgetary process and financial management of the Municipality in line with the Municipal Finance Management Act, other relevant legislation and Accounting Standards.

Tariff Policy

The current Tariff Policy, which the municipality adopted in terms of section 74 of the Local Government Municipal Systems Act, is currently being reviewed. The draft policy is still at management discussion and will soon be submitted to the Executive Committee and Council for approval.

Assessment Rates Policy

Section 3(1) of the Local Government Municipal Rates Act, 6 of 2004, and sections 62(1) of the MFMA determines that a municipality must adopt and implement a rates policy on the levying of rates on rateable properties.

Credit Control, Debt Collection and Customer Care Policy

The Budget and Treasury Office is currently busy identifying revenue enhancement strategies which will be in with the reviewed Credit Control, Debt Collection and Customer Care Policy.

Supply Chain Management Policy

The municipality has a Supply Chain Management Policy was adopted by Council and is reviewed every year.

Cash Management and Investment Policy

This policy is due for review to cater for changes envisage in the organisation.

Asset Management Policy

The Budget and Treasury Office is currently busy with the compilation of asset register in terms of GRAP accounting standards, which might result in the Asset Management Policy being reviewed.

Subsistence and Travelling Policy

The implementation of the subsistence and travelling policy has a budgetary implication in appropriation of funds for travelling, accommodation and meals for Municipal Officials and Councillors embarking on business related trips.

Other budget-related policies that have been submitted to Council for approval are the following:

- Tariff Policy
- Debt Write-off Policy
- Indigent Policy
- Virement Policy
- Funding and Reserve Policy
- Borrowing Policy
- Petty Cash Policy

11. OVERVIEW OF BUDGET ASSUMPTIONS

General Inflation Outlooks and its Impact

Nkandla Municipality, like and any other municipality, is still subjected to the impact from the global crisis as well as related ripple effects from national economy. The recent hikes in, to mention a few, electricity bulk purchases, fuel, interest rates and inability to feel critical positions in critical industries could not be interpreted in isolation of Nkandla Municipality and did therefore impact negatively on the 2016/17 budget and it will still have a huge effect on the 2017/18 medium term budget.

Budget Guidelines

All other tariffs, except for electricity, will be increased by only 6.4 percent in order to absorb the shortfall on the increase in the electricity purchases.

12. OVERVIEW OF FUNDING THE BUDGET

(Including fiscal overview and sources of funding)

Funding of the 2017/18 Medium-Term Budget

The operating budget of Nkandla Municipality for the 2017/18 financial year is funded from rates, tariffs, sundry charges and grants and subsidies.

Increases in the individual tariffs applicable to the above services are detailed in the tariff of schedule attached hereto, together with other proposed sundry tariffs.

The following issues were the challenges in the appropriation of funds when preparing the 2017/18 draft budget:

- Initiatives to improve the current collection rate
- Requirement with regard to upgrading and maintenance of existing roads and other IT infrastructure.
- Departmental requirements regarding the filling of critical and vacant positions not previously budgeted for.

Funding of 2017/18 Medium-Term Capital Budget

In line with section 18 of the MFMA, the capital budget has been funded from the following funding sources:

Funding Sources

The total capital budget for the 2017/18 financial year amounts to **R30.9 million**, which will be funded as follows:

Capital Funding	Amount (R)
Municipal Infrastructure Grant (MIG)	23 170 000
Internally generated funds	7 723 000
Total	30 896 000

National and Provincial Government Transfers

The National and Provincial grants allocation will be used to fund larger portions of the operating expenditure as well as the capital expenditure. These have been gazetted in terms of the 2017 Division of Revenue Bill.

13. EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

Grants and subsidies from National and Provincial governments, as reported in the 2016 Division of Revenue Act and reflected in SA 19, have been included the 2017/18 budget and each allocation will be utilised for the purpose as described below.

National Grant Allocations

Equitable Share

The equitable share is an unconditional grant and as such can be regarded as general revenue, however, it is a matter of co-operative governance that municipalities should prioritise its expenditure budget towards poor households and national priorities like free basic services.

Municipal Infrastructural Grant (MIG)

The Municipal Infrastructural Grant is a conditional grant which gives effect to national objectives to:

- Expand the delivery of basic services to all households, including the delivery of free basic services to poor households and other poverty alleviating objectives.
- Stimulate local economic development and job creation over the medium term.

The MIG funding will be utilised as follows:-

CAPITAL PROJECTS		
No.	Project Name	Amount (R)
1	Vumanhlamvu CSC phase 2	R 3 500 000.00
2	Nhloshana CSC	R 3 500 000.00
3	AmaZondi CSC	R 3 500 000.00
4	Ngwegweni Access Road	R 4 500 000.00
5	Nkethabaweli Link Road	R 2 295 000.00
6	Ekukhanyeni Sport field	R 1 500 000.00
7	Ophindweni Sport field	R 1 500 000.00
8	Ndweni Sport field	R 1 500 000.00
9	Ntingwe Sport field	R 1 500 000.00
		R 23 295 000.00

Finance Management Grant

The Finance Management Grant is a capacity building grant provided by National Treasury to assist municipalities in building management planning, technical and financial management skills and capacity for effective service delivery.

It will be utilised for the upgrading of skills and capacity of Nkandla Finance officials for workshops and training programmes, funding financial programmes such as mSCOA with a view to capacitate financial systems, as well as for the remuneration of the interns currently employed by the municipality and cover costs of their training and its facilities. There are currently five interns employed as per National Treasury guide.

Table SA 18 - Transfers and grant receipts

KZN286 Nkandla - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		58 202	70 206	85 997	83 143	83 143	83 143	87 545	89 064	91 236
Local Government Equitable Share		52 832	65 897	82 242	79 169	79 169	79 169	82 435	86 214	88 386
Finance Management		1 650	1 713	1 800	1 825	1 825	1 825	1 900	2 850	2 850
Municipal Systems Improvement		890	934	930	-	-	-	-	-	-
EPWP Incentive		2 830	1 663	1 025	2 149	2 149	2 149	3 210	-	-
Provincial Government:		658	249	723	738	1 243	1 243	1 301	1 366	1 925
Provincialisation of libraries		658	249	553	559	559	559	583	613	644
Community library Service				170	179	684	684	718	753	781
Schemes Support Programme								-	-	500
0										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Operating Transfers and Grants	5	58 860	70 455	86 720	83 881	84 386	84 386	88 846	90 430	93 161
Capital Transfers and Grants										
National Government:		41 081	35 852	57 188	39 795	39 795	39 795	23 170	24 296	25 485
Municipal Infrastructure Grant (MIG)		21 081	31 852	22 188	21 795	21 795	21 795	23 170	24 296	25 485
Electrification grant		20 000	4 000	35 000	18 000	18 000	18 000	-	-	-
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers and Grants	5	41 081	35 852	57 188	39 795	39 795	39 795	23 170	24 296	25 485
TOTAL RECEIPTS OF TRANSFERS & GRANTS		99 941	106 307	143 908	123 676	124 181	124 181	112 016	114 726	118 646

References

1. Each transfer/grant is listed by name as gazetted together with the name of the transferring department or municipality, donor or other organisation
2. Amounts actually **RECEIVED**; not revenue recognised (objective is to confirm grants transferred)
3. Replacement of RSC levies
4. Housing subsidies for housing where ownership transferred to organisations or persons outside the control of the municipality
5. Total transfers and grants must reconcile to Budgeted Cash Flows
6. Motor vehicle licensing refunds to be included under 'agency' services (Not Grant Receipts)

14. ALLOCATIONS AND GRANTS MADE BY NKANDLA MUNICIPALITY

None. Please refer to SA 21 of Schedule A.

15. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

KZN286 Nkandla - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		-	-	-	-	-	-	6 234	6 590	6 959
Pension and UIF Contributions		-	-	-	-	-	-	-	-	-
Medical Aid Contributions		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance		-	-	-	-	-	-	2 078	2 197	2 320
Cellphone Allowance		-	-	-	-	-	-	647	684	723
Housing Allowances		-	-	-	-	-	-	-	-	-
Other benefits and allowances		-	-	-	-	-	-	112	118	125
Sub Total - Councillors		-	-	-	-	-	-	9 071	9 588	10 125
% increase	4		-	-	-	-	-	-	5.7%	5.6%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		-	-	-	-	-	-	4 032	4 261	4 500
Pension and UIF Contributions		-	-	-	-	-	-	-	-	-
Medical Aid Contributions		-	-	-	-	-	-	-	-	-
Overtime		-	-	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	-	-	-	-	-	-	283	299	316
Cellphone Allowance	3	-	-	-	-	-	-	56	60	63
Housing Allowances	3	-	-	-	-	-	-	261	276	291
Other benefits and allowances	3	-	-	-	-	-	-	12	12	13
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Municipality		-	-	-	-	-	-	4 643	4 908	5 183
% increase	4		-	-	-	-	-	-	5.7%	5.6%
Other Municipal Staff										
Basic Salaries and Wages		-	-	-	-	-	-	30 450	30 901	30 717
Pension and UIF Contributions		-	-	-	-	-	-	4 370	5 322	5 620
Medical Aid Contributions		-	-	-	-	-	-	1 490	1 495	1 519
Overtime		-	-	-	-	-	-	53	937	990
Performance Bonus		-	-	-	-	-	-	1 303	1 435	1 571
Motor Vehicle Allowance	3	-	-	-	-	-	-	-	-	-
Cellphone Allowance	3	-	-	-	-	-	-	446	378	399
Housing Allowances	3	-	-	-	-	-	-	476	503	531
Other benefits and allowances	3	-	-	-	-	-	-	610	830	876
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
Sub Total - Other Municipal Staff		-	-	-	-	-	-	39 197	41 800	42 223
% increase	4		-	-	-	-	-	-	6.6%	1.0%
Total Parent Municipality		-	-	-	-	-	-	52 912	56 297	57 531
			-	-	-	-	-	-	6.4%	2.2%

16. MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOWS (Table 15a)

Please refer to SA25 to SA30 of Schedule A

17. ANNUAL BUDGET AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN – INTERNAL DEPARTMENTS

The annual budget is as per attached Scheduled A, which is Annexure A and the draft SDBIP will be submitted separately.

18. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

Please refer to SA35 of Schedule A

It is envisaged at this stage that no contract will have budgetary implications beyond a period of three years in the 2017/18 medium-term budget.

19. CAPITAL EXPENDITURE DETAILS

Please refer to SA36 of Schedule A

20. MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, **LS Jili**, Municipal Manager of **Nkandla Municipality**, hereby certify that the annual budget and supporting documentation of the 2017/18 Operating and Capital Budget have been prepared in accordance with the Municipal Finance Management Act, 56 of 2003, and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name : Mr Langelihle Jili

Municipal Manager of : NKANDLA MUNICIPALITY

Signature :

Date :

ANNEXURE B – TARIFFS OF CHARGES
